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SUBJECT: Sixth Business Advisory Council: A Broken Record

¶1. (SBU) The Zambia International Business Advisory Council (ZIBAC) recently held meetings to discuss the global economic crisis and Zambia's response. Government officials, private sector representatives, and international donors discussed ways to increase Zambia's competitiveness and promote economic growth. Topics included the need to adjust electricity tariffs as a way to increase private sector investment in the power sector, ways to bring down international telecommunications gateway fee and expand access, the need to reform labor laws, and the importance of currency stabilization. While the discussions were open and frank, issues raised at the last ZIBAC session in 2007 remain unresolved, and the Government of Zambia (GRZ) shows no urgency toward implementing pro-growth reforms recommended by private sector participants and gathered experts.

¶2. (SBU) The 2007 ZIBAC session highlighted the need for certain reforms in order to increase competitiveness and create opportunities for economic growth, yet most proposals have yet to be addressed by the GRZ. For example, a study found that Zambia had the lowest electricity tariffs in the region and suggested the GRZ move towards a more cost-reflective system to encourage investment in the deficient power sector. Under pressure from manufacturers to keep energy costs artificially low, the GRZ announced at this year's ZIBAC that it is delaying promised cost-recovery tariffs to 2012 (Comment: safely after the 2011 elections) and is not committed to an increase in 2009. Despite calls in 2007 for lower international gateway fees, which almost two years later in March 2009 President Banda said would be decreased, the Information and Communications Technology Bill is still under consideration by Parliament. ZIBAC attendees in 2009 were reassured, however, that the lower fees would be implemented, apparently now by August 2009 (Comment: Embassy deems it unlikely that something which has dragged on for two years will now be implemented in two months). No gathering would be complete without a call to diversify away from the mining sector, although mining sector representatives nonetheless urged the GRZ not to abandon the sector but rather to look towards non-copper mining as a way to diversify the economy. Business representatives, including those from the mining industry, repeated that inadequate infrastructure, specifically the lack of a national railway network, continues to be a significant barrier to business growth in Zambia. The Ministry of Works and Supply welcomed the comments by suggesting that the GRZ will gladly accept private investment in any infrastructure project. Attendees also called for trade policy reform, urging the GRZ to implement predictable and consistent policy and to scrap import and export bans in favor of open markets.

Conspicuously absent from the discussions was the issue of corruption, especially in light of recent reports of widespread, no-bid government contracts and massive embezzlement at the Ministry of Health, ZIBAC missed an opportunity to address the perpetuation of this disturbing trend and its negative impact on the business environment in Zambia.

¶3. (SBU) Comment: More than anything else, the sixth ZIBAC highlights the failure to implement reforms that the business community has suggested in previous years, as well as at the recent Indaba and other fora(reftel). Calls for economic diversification, infrastructure development, legal reforms, just a sample of the topics discussed since at least the first ZIBAC in 2003, seem to be forgotten at the conclusion of each conference. President Banda, in addressing the gathering, once again stressed the importance of attracting both foreign and domestic investment, yet his Government

(and his predecessor's) has not taken decisive action informed by the advice and concerns of investors. Calling for investment in the energy sector without raising rates and making the sector profitable, focusing on the global economic recovery without heeding calls for reform and diversification, suggesting tourism is an avenue for growth without investing in the necessary infrastructure to promote it have become the mantra of luxurious conferences like ZIBAC. The GRZ's broken record policy statements in these deliberative fora are losing impact without concrete actions and decisions.

KOPLOVSKY